



A Union of Professionals

Remarks of Randi Weingarten

Sharing Responsibility: Using Collective Bargaining as a Tool To Help Preserve Public Services in the Wake of State Fiscal Crises

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I want to thank the Commonwealth Club for having me here today, to talk about innovative approaches to our fiscal challenges. And in thinking about those challenges, a story comes to mind. It's not a scary campfire story about a very mean governor from Wisconsin, although that story is pretty awful. It's a story about a computer system.

A few years ago, the New York City Department of Education wanted to compile student information—and give parents and teachers access to it—using one computer system. They said it would “revolutionize the way schools worked.” So the city invested \$80 million dollars (some say much more) and three years in having an outside company develop a system called Achievement Reporting and Innovation System, or ARIS.

Today, “when teachers at some 200 city schools want to check student progress,” they go to the computer. But they don't go to ARIS. ARIS is a flop. Here's the kicker: A group of high school teachers from Brooklyn designed a system that would help teachers get achievement data for their students so they could tailor instruction to each student's needs.

Schools are scrapping the ARIS system and investing instead in that totally different, teacher-designed system that cost a fraction of what the city sank into ARIS. This one allows the teacher to click on the picture of the student and get everything from “attendance by class period, to parents' cell phone numbers, to last night's math homework, and to the type of help the student should get because of a disability.”¹

What does this story have to do with the fiscal challenges states face today? Everything.

This story illustrates that if you want effective—and cost-effective—solutions, the people who are closest to the challenges we're facing should have a say in shaping those solutions. It shows that the act of giving workers a voice is a tool. And we call that tool collective bargaining—how we give the people who do the work a voice in the way that work gets done.

Some have pointed to public employees and their right to collectively bargain as a cause of their states' fiscal problems.

¹ Much of this information about ARIS comes from a report by NY1's Lindsey Christ, “More Schools Passing Up DOE Database,” *NY1 News*, March 16, March 17, and March 18, 2011, <http://www.ny1.com/content/135696/more-schools-passing-up-doe-database>. Quotes from the NY1 report are in quotation marks. This attribution was inadvertently omitted from an earlier version.

This is nonsense. Giving voice to workers does not drive up deficits. States that deny state employees bargaining rights—such as Arizona, Nevada and Texas—have some of the biggest deficits. And those where public employees have a say in their work—as in Massachusetts and Montana, which are heavily unionized—have among the smallest shortfalls.ⁱ

In fact, if you want a coroner's report on what has happened to states' economies, look no further than the report released last week by the U.S. Census Bureau. It reported that state government tax collections decreased by \$65.8 billion in 2009, and they decreased by an additional \$14.3 billion in fiscal year 2010. That means that tax collections in 2010 were more than 10 percent lower than in 2008. That's a catastrophic drop.

So don't let anyone tell you that robbing workers' voice will repair deficits. We know exactly why states have budget problems—massive job loss and the collapse of the housing market decimated their revenue. We all know that, including Scott Walker.

If you want to know what killed state budgets, it was the bad economy. And if you want to know not just what but who caused the bad economy, I think you'll find a lot more culpability in the top floor of a bank headquarters than you will in the person standing in front of a blackboard or making sure the water supply is safe.

And by the way, that bad economy means so many more families are suffering, and in need of the safety net government provides, such as Medicaid, unemployment insurance, food stamps or retraining to help them find new jobs—all of which cost money.

But here's the irony: Collective bargaining isn't the cause of our state budget crises, but it can be part of the solution. And that's what I want to talk about tonight.

Let me first clear up a couple of misconceptions about who public employees are, and what public employees do.

People who are reflexively anti-union like to paint public employees as faceless cogs in a bureaucratic machine. But public employees are your children's teachers, the bus drivers who bring them to school, the people who prepare and serve them lunch, and the school nurses who make sure they are well enough to learn. They're inspecting bridges, ensuring the food you eat is safe, and keeping criminals off the streets. They're the first responders, those we count on when trouble strikes. They're the job and substance abuse counselors whose services, especially in these hard times, are all the more essential.

AFT's members have over 4,000 job titles. Not one of them is "bureaucrat."

And how high, exactly, is the supposed "high living" that some ideologues would have you believe public employees enjoy? How "privileged" is this privileged class?

Public sector employees earn less on average than their private sector counterparts with similar qualifications—and that includes all their health and pension benefits. They could make more in the private sector.

Many choose this work because they believe in public service and want to contribute their talents to strengthening their communities. And as for those golden parachutes, the vast majority of public employees earn modest retirement benefits. In 2008, 7.7 million retired state and local government workers received pensions. Their average benefit was \$22,653.ⁱⁱ That equates to about \$435 a week.

And most of that money isn't even on the taxpayers' dime. Taxpayers pay for about 14 percent of public retirement benefits, since public employees generally spend their careers putting a portion of every paycheck into their pension plan, and compound interest does the rest.ⁱⁱⁱ Contribution rates for public employees range

from 3 percent of their pay in Indiana to up to 13 percent for some Missouri teachers. There are only a handful of states in which teachers make no contributions at all.^{iv}

Additionally, a quarter of all public workers—including those here in California—aren't covered by Social Security retirement, so the government isn't contributing the 6.25 percent of pay into the Social Security fund as private employers would.^v

For these workers without Social Security to fall back on, the security that comes from a defined benefit pension is essential.^{vi} These are human beings—30-year teachers and firefighters. They've taught your children and protected your property. Now they're living on small fixed incomes. And they're being attacked.

Those are the facts. But let me pause here to make a broader point. By and large, public employees receive decent wages, health insurance and a modest retirement. The fact that some employees have been able to bargain collectively for this has benefited all employees, whether they're in unions or not. And I'm not just talking about 100 years ago, bringing you the weekends and ending child labor. I mean unions raising wages and benefits among nonunion workers. And those wages are spent in ways that help communities prosper. It is no coincidence that the sharp decrease in union density over the past few decades has coincided with the flattening of wages among nonunion workers.

What a sad, sad commentary on our country that, at a time when companies are enjoying record profits and Wall Street has rebounded, the rights public employees have secured are seen not as an aspiration, but as an aberration.

There's something else public employees do: They make sacrifices. Union workers didn't cause this mess, but we're willing to do our part to help clean it up. Already, public employees are making substantial sacrifices:

- 172,000 local government education jobs are already gone;
- 210,000 other local government jobs, gone;
- 82,000 state employee jobs, gone.

Pay has been frozen for federal workers, and for many state workers across the country as well.

Yes, there will be sacrifices—nobody denies that.

But if the first sacrifice is our rights guaranteed to every American in our Constitution—to free association; as well as the right to work together for the public good; to have a voice in what we do, how we do it and what we earn—if those go, that will exact a toll on this nation more costly than any budget number.

The way we approach our budget problems will have a lot to say about how successful we are in overcoming them. As we've seen, there are those who prefer a scorched-earth approach, who refuse to consider the input of others, and who are willing to circumvent the democratic process and push their positions through by any means necessary. They sell these reckless measures and unorthodox methods as necessary expedencies in desperate times.

In Wisconsin, the public employee unions agreed to massive pay cuts and every proposed concession. Gov. Walker's refusal to accept yes for an answer showed that the real goal had nothing to do with the budget.

Workers were willing to share responsibility, but they drew the line at giving up their voice. Yet the governor and his allies would settle for nothing less. When they were unable to pass the bill under a fair democratic process, they resorted to forcing it through by using a procedural maneuver that removed any elements related to the budget. And now, defying a court order, they are trying to push it through anyway.

At the state level here in California, even though we believe the cuts are too deep, Gov. Brown is pursuing a different approach: one based on shared responsibility, one that will hopefully lead to a better budgetary outcome in the short term, and a better economic output in the long term. There's no question that state and local governments throughout our nation are facing challenges, but we can agree that if your state budget were a patient, you'd prefer a team of surgeons conferring on how best to use a scalpel, rather than one person swinging a hatchet.

If there's even the slimmest of silver linings to be taken from these assaults on collective bargaining, it's a broader understanding of what collective bargaining is, and why it is so important. This is a time for labor and management to come together and seek solutions together. This is a time to unleash the full potential of collective bargaining to give the people who do the work a say in the solutions, so that those solutions reflect reality—just like those teachers in New York who created a better data tool, for a fraction of the cost.

Collective bargaining is poorly understood. Many people think of it as strictly an adversarial process, the only goal of which is to increase salaries and benefits. In reality, collective bargaining is a means to bring together the voices of workers to be heard—voices which, individually, would never equal the voice of management.

As such, collective bargaining is problem-solving that incorporates the wisdom of the frontlines. It's not always about bargaining for more. Collective bargaining can be a vehicle to transform schools and improve not just morale, but also teaching quality and student outcomes. And in times like this, it can be a means to find creative ways to mitigate the damage to vital public services caused by budget shortfalls.

A report released last week by the Employment Policy Research Network stated it clearly: "Collective bargaining and workplace innovations based on a mutual interest, joint problem-solving approach can produce positive outcomes for employers, employees, customers, and citizens, especially during fiscal crisis."

This is a time for our nation to turn to public employees, instead of turning against public employees. We have everything to gain and nothing to lose by trying a more cooperative, negotiation-oriented approach to resolving our budget problems. The only people who are afraid of this approach are those who do not want a transparent, fair and free exchange of ideas.

Over the last several months, I've been talking to AFT members throughout the country, and in virtually every conversation, someone eagerly offers an idea for how his or her state can save money. I want to share some of those examples of how frontline insight can help us meet our challenges.

Perhaps the most inspiring example of what we can accomplish when labor and management work together is right here in California in the ABC Unified School District. In a diverse district 20 miles outside of Los Angeles, the local teachers union has teamed up with the school district administration to improve teaching and learning. The labor-management relationship is based on a set of 12 guiding principles, such as: "We solve problems rather than win arguments," and my favorite, Number 11, "We won't let each other fail."

This attitude extends to the budget environment. The district and the union, as partners, were determined not to let budget shortfalls decimate the educational gains students were making. Last year, ABC was able to avoid any layoffs by working together to find solutions that kept the impact as far from the classroom as possible.

This year, the district will need to cut even more. So they've put together a joint labor-management coalition to find solutions to these new budget problems together. I can tell you already that they'll weather these storms better because they are turning to each other—not against each other.

Contrast that with what's happening in Costa Mesa, where half the city's workers are likely to be laid off in the coming months. It's not that the services they provide won't be needed. In fact, most residents probably need them more than ever. The point I am making is that short-sighted cuts to vital services may help solve a temporary fiscal problem, but they will create more, longer-term, social and economic problems.

Bay Shore school district in New York is another great example of how the pain of budget cuts can be minimized if we look for solutions together instead of using blunt force. This Long Island district jointly scrutinizes every spending decision. They are constantly asking themselves: "Can we do without?" "Do we really need this?" When employees retire, they don't automatically fill their positions. They have figured out how to deal with cuts with precision and deliberation, and, as a result, have gotten through the last two years without a single layoff and without cutting any direct services to children.

We're seeing this again and again. In Baltimore, collective bargaining allowed for a new evaluation and compensation system, as well as ways to cut costs without teacher layoffs. In Cincinnati, teachers changed their benefit plans and limited wage changes to keep colleagues in their classrooms with students. Teachers in Broward County, Fla., have suffered frozen pay for two years, and have taken steps to keep job cuts and disruptions to education to a minimum.

Additionally, through their union, teachers in Broward suggested changes that would reduce costs and eliminate waste. The union pressed the school district to adopt those changes, and was met with stiff resistance from the district. The union was right. A statewide grand jury report blasted the Broward County School Board and the district administration as a whole for incompetence, fraud and corruption.

And this isn't just about minimizing the pain of cuts. It's about creative ideas that allow more to be done with less. Just last week, Oregon state employees, who are represented by SEIU, released a report identifying ways to save state government nearly \$1 billion dollars.

Again, some of the best ideas come from the folks on the frontlines. It's amazing how much you can learn about how states operate from the people who actually run state operations. An AFT leader in North Dakota—who happens to be a business tax auditor—has laid out the wisdom of increasing much-needed revenue not by raising taxes, but by simply closing the tax gap and enforcing the tax laws that already are on the books.

How much does the tax gap add up to? We don't have a figure for the whole nation, but to give you a sense of the scope: In 2005, California had an \$8 billion tax gap. California has also taught us that every dollar we spend on collection yields \$9 in revenue. It is, quite literally, an 800 percent return on investment. We won't collect every penny, but nationally, if better enforcement allowed us to collect just 2 percent more tax revenue from people who should be paying and are not, we'd avoid \$14 billion in cuts.^{vii}

And there are other savings to be found in areas that we're willing to discuss and work on, collaboratively. One example is pooling healthcare. When I was president of the New York City teachers union, the city and union leadership worked together to foster one of the best, most effective and efficient health-management systems in the country. Beginning in 1983, labor and management teamed up to create a plan that greatly reduced costs to the city and school system while preserving core benefits for all city employees and their families. We did things like devising a copay structure and a preferred-provider arrangement to keep costs low. And we pooled healthcare services to save money.

This is one of the best ways to improve the efficiency of public services: Take advantage of scale where it makes sense to do so. One study in Colorado showed that by buying health insurance in bulk, we can increase our bargaining power, cut down administrative costs, and therefore reduce our rates significantly. Many school districts and smaller local government employers could save up to 8 percent on healthcare by moving to a bigger scale.

The states that are already pooling healthcare purchasing show us that there are huge savings to be had. Here in California, pooling of insurance purchasing for retirees and for employees who opt in saves the state \$40 million per year in premium costs. Just like workers, health insurance buyers are stronger as a group.

We also recognize that ways to rein in costs can be found in some pension reforms. Recently, the AFT Ad Hoc Committee on Revenues and Retirement Security issued a series of pension ideas that should be considered as part of a redoubled effort to provide retirement security for all. They include:

- Eliminating spiking at the end of a career, which artificially increases the pension benefit;
- Eliminating double-dipping by responsibly limiting the payment of both a pension and a salary to any employee who is rehired after retirement by the same employer; and
- Establishing a maximum benefit ceiling on the employer-sponsored defined benefit portion of an employee's pension.

These ideas will both save money and allow retiring employees to draw the livable pension they've earned over a long career spent helping others.

Finally, we need to recognize the costs associated with teacher turnover, and really clamp down on what has become a revolving door in education with huge economic and educational costs. The troubling fact is that a third of new teachers leave teaching within the first three years, and nearly half leave the profession within five years after being hired. That's money on recruiting, hiring, inducting and training that's down the drain—gone—and more money we have to spend to do it all again—over and over. An independent report shows the exorbitant cost of high attrition: \$7.3 billion a year.

We could reduce high teacher turnover through widespread voluntary mentoring programs or better working conditions—two factors shown to improve teacher retention—and save a sizable portion of those billions.

Teacher turnover isn't just bad for budgets, it's bad for children. In a field where everyone quarrels about everything, no one quarrels with the teacher-quality research finding that teachers gain effectiveness over their first five years of teaching. In other words, too many teachers are leaving at the exact point they are becoming really good at their jobs.

And let's not underestimate the effect of bashing teachers and public education. Teaching is a tough job made tougher by the toxic environment and barrage of criticism that are common in too many places. Changing the tone doesn't cost a dime.

The countries that outperform us know all of this, and do all of this.

As former U.S. Sen. Everett Dirksen of Illinois famously said when talking about the federal budget, "A billion here and a billion there, and soon you're talking about real money." As I have talked to my colleagues, I have begun to think like Sen. Dirksen. If we listen to the good ideas of the people who do the work and are closest to the work, and we do so in a collaborative way, we can make giant strides toward closing budget gaps. This allows everyone to own the solution and move forward in the spirit of shared responsibility and mutual respect.

We understand that the enormous budget gaps are too large to make up without pain and sacrifice. But just the ideas outlined here could lead to many billions of dollars in savings. We're saying: Let us help mitigate the damage—the right way.

But others must as well. Consider this: General Electric made \$5.1 billion dollars in profits in the United States last year, but it paid no federal taxes on those profits and in fact claimed a tax benefit of \$3.2 billion dollars. And each year, dozens of Fortune 500 companies report profits to shareholders but pay no state taxes. Yet, in the aftermath of Gov. Walker's actions, a custodian who works at the University of Wisconsin and earns \$24,622 will pay 16.1 percent more of his salary toward his health and retirement benefits. That's not shared responsibility.

We need thoughtful and strategic approaches that share responsibility, particularly for those who can afford it. To govern is to choose—and some governors across the country are making damaging and tragic choices. In Michigan, Gov. Rick Snyder is proposing to cut corporate taxes by \$1.8 billion, while cutting public education by \$470 per pupil. In Wisconsin, Gov. Walker has called for \$200 million in tax cuts, and has proposed \$1.7 billion in cuts to education. And in Pennsylvania, Gov. Tom Corbett has proposed up to \$400 million in corporate tax breaks, while calling for education to be cut by \$1.2 billion.

These are exactly the wrong choices, and these choices are being obscured by the relentless attacks on public employees and on collective bargaining. For if the investment in education is not maintained, children and communities will suffer. We will not only limit their individual potential, we'll limit our nation's ability to grow our way out of our present challenges.

In closing, let me say that one thing we've learned over the past few months is that it's relatively easy to balance budgets if you're willing to unbalance everything else—public services, jobs, investments in the future, and the middle class. What's hard is balancing budgets in a way that preserves essential services and ensures that the cuts we make today don't haunt us for years—or generations—to come. It's hard, but possible.

It's possible to put aside our fears and past disputes, to come together and talk about how each of us can do our part to create budgets that ensure our kids can get a good education, that public services are safe and effective, and that families and communities can weather this very difficult time. We're going to get through this one way or another.

The question is: Are we going to do it in a way that protects vital services and maintains our country's strength? Will we bring the power of collective bargaining to bear in ensuring that good ideas from the frontlines are heard and implemented? And will we ask everyone—especially those who can afford it—to share responsibility? We can, and we must.

It's my belief—my experience—that when everyone is working on solutions, when everyone's input is heard, the outcome is going to be better—for students, the economy and the country.

Thank you.

Endnotes

ⁱ Robert Reich, "The Shameful Attack on Public Employees," *Huffington Post*, January 5, 2011, http://www.huffingtonpost.com/robert-reich/the-shameful-attack-on-pu_b_805050.html.

ⁱⁱ Data taken from U.S. Census Bureau, "State and Local Government Employee Retirement Systems," <http://www.census.gov/govs/retire/>.

ⁱⁱⁱ Reich, "The Shameful Attack on Public Employees."

^{iv} Data taken from National Education Association, "Characteristics of Large Public Education Pension Plans," <http://www.nea.org/assets/docs/HE/CharacteristicsLargePubEdPensionPlans2010.pdf>.

^v Reich, "The Shameful Attack on Public Employees."

^{vi} Data taken from U.S. Government Accountability Office, "Social Security Administration: Management Oversight Needed to Ensure Accurate Treatment of State and Local Government Employees," GAO-10-938, <http://www.gao.gov/new.items/d10938.pdf>.

^{vii} U.S. Census Bureau, "State Government Finances: 2009," <http://www.census.gov/govs/state/0900usst.html>; and AFT Public Employees, "State Revenue Systems: Options for the Current Fiscal Crisis," <http://www.aft.org/pdfs/pubemps/revenuesurvey1109.pdf>.